Resolution on matters of General Public Interest.

President.—We shall now stop the consideration of the motions and adjourn the remaining motions for to-morrow. Let us proceed with the resolution standing in the name of Mr. C. Achyuta Menon. The resolution runs thus:—

"*This Council requests that the Government will be pleased to make arrangements, as early as practicable, for the Test Audit of the accounts of the State by a thoroughly competent officer from the British Service, as was done in 1079 and 1083*".

Mr. MATHEW KOLADI VATAKKOT (*Kunnamkulam*).

Sir, May I know what alterations were made in the ballotted order, and whether they have been admitted?

President.—The Secretary will please furnish the information to the Hon'ble Member.

Mr. T. K. KRISHNA MENON (*Secretary to the Legislative Council*).

Sir, may I know what paper the hon'ble member wants?

Mr MATHEW KOLADI VATAKKOT (*Kunnamkulam*).

The ballot paper.

Mr. T. K. KRISHNA MENON (*Secretary to the Legislative Council*)

Sir, I am ready to supply the necessary information, if the member will drop into the office for a few minutes, after the meeting is over.

President.—Now, I call upon Mr. C. Achyuta Menon to move his resolution.

Mr. C. ACHYUTA MENON (*Mulakunnattukavu*).

Mr. President, Sir,

I beg leave to move the following resolu-tion:—

"That this Council requests that the Government will be pleased to make arrangements, as early as practicable, for the Test Audit of the accounts of the State by a competent officer from the British Service, as was done in 1079 and 1083".

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When the account system of the State was completely remodelled and the department thoroughly reorganised in 1074—1075, it was provided—there was, to the best of my recollection, a provision to that effect in the now defunct Cochin Financial Code—that the accounts of the State should be periodically test-audited by a competent outside officer. The main object of this audit was to see whether the provisions of the Code were properly understood and applied, and whether any defalcation, loss of money, stamps, &c., had occurred, and if so, whether it was due to any neglect or misunderstanding of the rules, or to any defect in the Code itself. Another important object which the Government had in view was to see if the expert officer had any useful suggestions to make for improving the system of accounts and audit. With this view, the Government obtained the loan of the services of Mr. E. S. Hensman of the Madras Accountant-General's Office in 1079 and again in 1083 to audit our accounts. It is not necessary for my present purpose to go into the details of the work done by that officer and of its results; suffice it to say that several defects and irregularities were disclosed by the audit, though they were not of a very serious nature except in one instance, and that several important suggestions were made by the Special Audit Officer for improving the administration of the Account and Audit Department. The Government took the necessary steps to remedy the defects and carry out the suggestions, and the department, as now organised and conducted, is to no small extent the result of those two audits.

It is now no less than seventeen years since the last Test Audit was carried out, and I have often thought is strange that the desirability of conducting a third audit did not occur to the authorities concerned during all these years. One reason for it was, probably, the omission of the provision for outside audit from the Departmental Codes and Regulations which superseded the Financial Code, in Mr. Banerji's time, after the second Test Audit. Another and more probable reason was that Mr. Banerji's successors had not his administrative insight and thoroughness, and that such a necessary and important step never suggested itself to them. Even if, to all outward appearance, the work of the department is getting on well and smoothly, and

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is not marred by untoward occurrences, it is desirable to have it occasionally overhauled by an expert officer unconnected with the department to keep the work from deteriorating. Account and audit work is of a very monotonous nature, and if the same set of officers are engaged in it for a long series of years, unrelieved even by the excitement of transfers and new enviornments, as is bound to be the case in a small State like Cochin, the work is apt to get into a groove and to be done mechanically, and the control of the department over other departments in financial matters is liable to suffer relaxation. Such relaxation is bound to affect the administration adversely, both from a moral and a financial point of view.

I am not, however, depending upon mere *a priori* arguments to commend my resolution to the acceptance of Government. Recent events have made it abundantly clear that a thorough overhauling of the work of the department has already been delayed too long. Defalcations and leakages of public money have of late become almost chronic. The sensation over a story of embezzlement has hardly time to subside, before we are treated to a new disclosure, more startling and serious than its predecessor. The prestige and good name of no administration can long survive such repeated shocks to its system. If the practice of periodical outside audits had been continued uninterruptedly, I feel fairly confident that most, if not all, of the unsavoury occurrences of the last few years would not have seen the light of day. I would, therefore, earnestly request the Government to take immediate steps to have our accounts audited by a thoroughly competent outside officer. The matter has become both imperative and urgent.

In connection with the previous Test Audits, I mentioned that serious irregularities were disclosed only in one case, and that was in connection with the Forest Department. The Special Officer brought to the notice of Government several irregularities in the regulation of expenditure in that department, the most serious of which were the system of granting unlimited advances to contractors and subordinate officers, and the practice of keeping large accounts of such expenditure out of the departmental accounts, and thereby

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depriving the Government of the means of ascertaining at any period of the year the total amount of expenditure under any head of account. The Government was thus enabled to take timely steps to arrest the growth of this evil practice which was assuming alarming proportions, and eventually to put a stop to it altogether. If an audit of our accounts had been conducted, say, three or four years ago, a similar disclosure would have been made in connection with the Excise Department, and the scandal that has dragged the good name of that department through the mire could have been nipped in the bud, or at least prevented from assuming the portentous dimensions that it did.

Mr. T. A. RAMACHANDRA AYYAR (*Nellayi*).

Mr. President, Sir,

In seconding the resolution so ably proposed and explained by my Hon'ble colleague; Mr. C. Achyuta Menon, I have very great pleasure in speaking a few words, just to prove the urgent and immediate necessity for the institution of Test Audits in the State, as often as advisable, similar to those done in 1079 and 1083 M. E.

Without speaking at length on the series of advantages derived therefrom, I might say that the practice will go a great way in stamping out a tendency in the officers in the State service, suspected of undesirable practices. It is an open secret that defalcations and misappropriations of State money have of late been more often reported and discovered. The several defalcations in the Municipal offices, in the Devaswam offices, in the Tramway, in the Taluk offices, in Courts, and, the latest and crowning one, in the Excise Department, are too well-known to need detailed explanation. Is it not, Sir, heart-rending to be told that no effective method has yet been brought into force to stamp out this notorious state of affairs? Is it not the hard earned money of the tax-payer, I say, the money earned with the sweat of his brow, that has been allowed to be wasted in this reckless manner? If the Heads of those Departments and the Comptroller of Accounts or any such supervising officer are not responsible for this disgraceful state of affairs, who else should be hanged

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for it? Considering the small amount of expenditure involved in having to pay for the Test Audit, the amounts swindled in the most fraudulent and irrecoverable manner is remarkably great.

Coming then further up, we find treatment of a different and varied nature meted out to small subordinates in the service on whose heads alone the superiors throw the blame towards the conclusion. Many of them, it is possible, might be innocent, as they are not the cheque-issuing officers. And these small subordinates in almost all instances are denied the opportunity of clearing their character in a Court of Law. Instances are not wanting, wherein some of the subordinates of the Devaswam Department were allowed, as I am told, to settle their accounts in a family way, despite the heinous charges alleged against them, while certain others stand condemned for life by dismissal, even before the disposal of the cases pending against them in the Law Courts. However impartial an enquiry one might conduct in a case of the nature under reference, under departmental methods, it could not be as satisfactory as the one done before a Law Court. These might be attributed to the fact that the true state of affairs of a department, if exposed in a Court of Law, might let many a cat out of the bag.

It is to avoid all these and the consequent loss to the administration that I insist on bringing into force the Test Audit system as early as possible, so that even our Chief Account Officer might have a chance of being adequately supervised and posted in the up-to-date system of accounts. It is not for criticisms' sake that I speak like this; it is the result of a heart full of regret and sympathy.

If my information is correct, I might, in passing, mention that the credit for discovering the notorious and huge defalcation does not go even at that late hour to the then Comptroller of Accounts, who might be even suspected to have been a silent spectator of the events passing on till then. The occurrence reminds me of an old Malayalam proverb, though a bit slang.

It must be attributed either to his ignorance, indifference or incompetence. But, whatever it might be, to me it appears that he is as much to blame in the

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matter as the Head of the Department concerned. It was fortunate that the ugly practice automatically came out at least at that late hour. I cannot say how many such instances could be discovered even at this very moment, if a minute audit by an impartial officer from outside the service is made. Hence the support I lend to this important resolution, with all the strength I possess. I am sure, the whole House will pass it unanimously.

Mr. GEORGE CHAKYAMURI (*Palliviruttı*).

Sir, I rise to oppose the resolution just now presented to this House by the Hon'ble Member for Mulakunnattukavu. In doing so, I am aware that this resolution is backed by considerable experience gained by an officer who was considered to be one of the most brilliant officers in his time, and who has done yeoman service in the intersts of our State.

If I remember right, it was in the time of Sir P. Rajagopala Chari that Mr. Swaminatha Ayyar was got down from the British Service to introduce an up-to-date system of accounts into our State. Our Account Department was then worked as a branch of the Huzur Secretariat with the Chief Account Officer as Secretary to the Diwan in the Audit branch. Mr. Swaminatha Ayyar also then drew up the old Financial Code in two volumes which, if I mistake not, contained a provision for a quinqennial Test Audit by an outsider. This, it is respectfully submitted, was found necessary at the time, because our Cochin officers had just been initiated into the new system of accounts. According to this provision in the old Financial Code, the first Test Audit was conducted in 1079 in the time of Diwan Mr. Pattabhi Rama Rao. It was in 1083, during Sir A. R. Banerji's time, that the second Test Audit was done by Mr. Hensman of the British Service. Mr. Hensman was retained in the State Service, for about one year, to further organise the Account Department. It was then that our Account Code was drawn up, and separate Manuals for the various departments framed by the then Special Officer, who happens to be no less a person than the Hon'ble mover of the resolution.

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Our officers had by this time picked up the new system of accounts, and in pursuance of a memorandum left by Sir P. Rajagopala Chari to the effect that Cochinites should be sent outside to undergo special training to take charge of the various departments of the State, Mr. Shanku Wariar was sent to the Accountant-General's Office, Madras, to undergo special training in Accountancy. In addition to Mr. Shanku Wariar, the retired Comptroller Mr. M. I. Virkkey and the present Senior Assistant Comptroller and the Junior Assistant Comptroller were also sent to Madras for special training.

When the Account Department has thus been completely reorganised, and detailed rules and procedures have been laid down, I respectfully submit that the necessity for a Test Audit has ceased to exist. This, if I mistake not, has been more than once proclaimed by our Government. With two of the specially trained men still in service and with an officer who has picked up considerable experience as an accountant in Cochin, and who has, in addition, undergone special training in Accountancy in Europe, I am not prepared to hold with my Hon'ble colleague that our system of accounts is defective. To my mind, it is rather the system of our General Administration that is defective, rather than the Account Department, which is at present very ably manned by officers with special training for the same.

The series of defalcations, which my learned colleague has pointed out as calling for an immediate audit of our accounts, and which, I am sure, must have caught the imagination of many of my learned colleagues, do not in my opinion constitute any necessity for a Test Audit. Any amount of British or other outside officers cannot check the thievish tendency in some of our officers. Even in Brtitish India, from where we propose to bring an officer to set right matters here, defalcations are not uncommon. For that matter, I should think, this House has to congratulate our officers for not running away with public funds as often as they do in British parts.

To my mind, the first and foremost remedy lies in the Government exercising proper discretion in

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the matter of selecting officers for responsible posts. I think it is a folly of the highest magnitude for our Government to entrust responsible posts in the State to persons coming from outside, whether they be from Travancore or British parts. Apart from the question of the right of every citizen of this State to be preferred to a foreigner in the matter of appointment, I think, it will go a great way towards checking these defalcations if responsible posts in the State are assigned to citizens of this State having some stake in this country. Our State has had in the past to pay heavily for bringing in persons from Tinnevelly, Kumbakonam and Palghat —persons with absolutely no stake anywhere on the face of this earth—and entrusting them with responsible posts in the State. I don't think, our Government can any longer complain that competent Cochinites with some stake in the country are not available for filling up responsible posts in the State. If this be so, I strongly urge upon the Government the necessity of immediately abandoning the practice of appointing wandering office-hunters from Travancore or from British parts, who can at any moment run away with the amount that comes into their hands and leave our Government utterly confused and dismayed. This, I beg to submit, will be a better remedy than any number of Test Audits that could be done.

Another remedy, which I would suggest to the Government to ward off defalcations in the future, is to take a strong and consistent attitude in dealing with the various officers of the Government responsible for the loss of Government money. I am constrained to make these observations from what has transpired in the past. I am sorry, I cannot deal with this subject in detail, since many of the things to which I want to draw the attention of this Council in this connection are matters *sub-judice*. We have had defalcations in the Excise Department, in the Education Department, two distinct instances in the Revenue Department and one in the Tramway Department. Analysing the attitude of the Government in these various instances of defalcations, we find that the attitude taken up by the Government has been most fickle. Here, I again doubt whether I will be within law, if I proceed further with details. This inconsistency, I most repectfully submit, should be immediately abandoned. Thus

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I maintain that the remedies suggested by me will be more useful to the Account Department than trying the expensive game of a Test Audit.

Mr. A. B. SALEM (*Jews*).

Sir, As a hater of bureaucracy all over the world and one who was making no secret of it, I am very sorry that I have to rise against this motion by the Hon'ble Member for Mulakunnattukavu. I do it with the greatest regret, because I go to support the bureaucracy. I find that this is no proper remedy at all for defalcations and other dishonest acts that took place in the land. That entirely depends upon the character of the particular officers concerned, and for the sins of the few, generalised condemnation is indeed not justified.

I find to-day that the Finance Member, who is in charge of the Account Department, is one who has been auditing not only Government accounts for a long time in the same department, and who has gained experience in the very department, but who has also been auditing companies' and other business accounts of the State, satisfactorily, and is also one who, on account of his ability and honesty, has been selected by Europeans outside, like Mr. Grubb, and taken at his own expense to England and Ireland and taught both accountancy and other matters, and has come back to man the Head of the Department. And to say, of other members of that department who have been trained in the Accountant-General's Office, that they are not competent enough to audit the accounts of the State, would be tantamount to a censure of the department altogether which would justify its being abolished.

I, therefore, have to oppose this motion, because the rules of audit, as I understand, are all very well laid down, and every rule that has been brought into existence either in Madras, Bombay or elsewhere—where the rules have been found giving loopholes for dishonest men to escape through—has been copied here. And the amount of correction slips added to it have made the Code not even recognisable in its original shape, with the result that a second edition of the Code had to be printed, and that has now correction slips attached to it. Therefore, all conceivable precaution that had to be

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taken, as far as the audit is concerned is being taken in the State, to prevent these defalcations. But for these audits, these defalcations will never have come into notice. It is not because that the audits were not done by the Audit Department that defalcations have been taking place; it is because of the existence of the Audit and the Account Department, watching most carefully and bringing to the notice of the Government that such and such a thing has taken place, that these defalcations have come into view.

I take it, Sir, therefore, that, when such competent officers are manning the department, to have the luxury of bringing some Ramaswami Ayyar or any other person from Madras and having a Test Audit of one or two departments would be no solution to the remedy, unless we go about from office to office, from taluk to taluk to examine every nook and corner to audit the accounts of various departments. If that is the idea of the Test Audit, then I should state that we have to conduct a Test Audit over that Test Audit. That would be carrying things to unnecessary lengths.

If, however, the Heads of Departments are prepared to accept this resolution, I have absolutely no objection to it, but, on the other hand, if I am found supporting the bureaucracy in this one particular matter, it is with regret. I will be on their side in this particular matter. I, therefore, oppose this resolution.

Mr. K. S. RAMA AYYAR (*Trippunittura*).

Sir,

I rise to oppose the resolution. I cannot reconcile myself with the reasons the member has given, in asking for a Test Audit by an outside officer. First of all, I seriously object to an audit by an outside officer. In this connection, I may ask, if the accounts of England are audited by experts from France. We have an expert here as our Comptroller. He has qualifications in accountancy from England and Ireland. It is not yet six months since he has become Comptroller. We don't know what all he would be able to do. It is not expedient to bring in an outsider now. Whatever an outsider might do our Comptroller may be able to do. It can safely be thought that he

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will be able to do it. Perhaps, he may be able to do more. All that remains to be seen. He is admittedly an expert. But we must give him time.

Defalcations of money cannot be altogether prevented. There are defalcations everywhere, and we must have our share. That is inevitable. And if a reduction in defalcations is wanted, a Test Audit by an outsider is not the proper remedy.

മിസ്റ്റർ കുഞ്ഞുമുഹമ്മദ് (മുഹമ്മദീയർ).

അധ്യക്ഷൻ അവർകൾക്ക് വന്ദനം,

ഭീമമായ പല അപഹരണങ്ങളും നടക്കുന്ന ഈ കാലത്ത് കണക്കുപരിശോധന വളരെ അത്യാവശ്യമാണെന്നുള്ളതിനു ഒരു സംശയവും ഇല്ല. എന്നാൽ ബ്രിട്ടീഷിൽ നിന്നും ഒരു ഉദ്യോഗസ്ഥനെ ഇവിടെ വരുത്തുക എന്നുള്ളതു് ഒരിക്കലും ആവശ്യം ഇല്ലാത്തതാണെന്നാണ് എന്റെ താഴ്മയായ അഭിപ്രായം.

പ്രസിഡണ്ട്.—പ്രമേയത്തെ എതിർക്കയാണോ?

മിസ്റ്റർ കുഞ്ഞുമുഹമ്മദ് (മുഹമ്മദീയർ).

അതെ, എതിർക്കുന്നുണ്ട്. രണ്ടു സംഗതികളാണ് ഇതുകൊണ്ടു പ്രത്യക്ഷത്തിൽ ഉണ്ടാവുക. ഒന്നാമതു് ഈ രാജ്യത്തുതന്നെ കണക്കുപരിശോധിക്കുന്നതിനു പ്രാപ്തിയുള്ളവർ ഇല്ലെന്നുള്ള ഒരു സംശയവും, ഉണ്ടെങ്കിൽ തന്നെയും അവർ വിശ്വാസയോഗ്യരല്ലെന്നുള്ള സംശയവും ആണ് ബ്രിട്ടീഷു് ഇൻഡ്യയിൽ നിന്നും ഒരാളെ വരുത്തുന്നതുകൊണ്ടു് മാറുള്ള ജനങ്ങൾക്കുണ്ടാകുന്നതു്. ഇതു നമ്മുടെ ഈ സംസ്ഥാനത്തിന്റെ ഭരിമാനത്തിനും അന്തസ്സിനും വളരെ ചേരാത്തതാണെന്നാണ് എന്റെ താഴ്മയായ അഭിപ്രായം. പിന്നെ 79-ലും 83-ലും ആയി രണ്ടുപേരെ വരുത്തിയിട്ടുണ്ടെന്നു് ഈ റെസല്യൂഷൻകൊണ്ടു് കാണുന്നുണ്ട്. എന്നാൽ എനിക്കു പറയാനുള്ളതു് ആ നൂറുണ്ടുതന്നെ അവസാനിക്കാറായിപ്പോയി എന്നാണ്. അതുകൊണ്ടു് ഇതു് ഇപ്പോൾ വേണ്ടതല്ല. ഇന്നത്തെ ഭരണചക്രം വഹിക്കുന്നതിനു പല മാന്യന്മാരും നമ്മുടെ നാട്ടിൽ ഉണ്ടെന്നു് ഇവിടെയുള്ള ഉദ്യോഗസ്ഥന്മാർ ദൃഷ്ടാന്തപ്പെടുത്തുന്നുണ്ട്. അതുകൊണ്ടു് കണക്കുപരിശോധിക്കുന്നതിനു് ബ്രിട്ടീഷു് ഇൻഡ്യയിൽ നിന്നും ഒരാളെവരുത്തുന്നതു് അനുചിതമാണെന്നു് എന്റെ താഴ്മയായ അഭിപ്രായത്തെ ഇവിടെ അറിയിച്ചുകൊള്ളുന്നു.

Mr. V. K. KOCHUNNI MENON (*Ernakulam*).

Sir, I am also of the same opinion. The necessity for an audit cannot be questioned. The question is whether it should be conducted by an outsider. I do not see why the present Head of the Department should not conduct it. He is a capable man. With regard to prior audits, they were ordered not long

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after the department was organised, and there was, therefore, sufficient necessity for a Test Audit. Now, an occasional audit by the Head of the Department itself would, I think, disclose the faults, if any, even if an audit by the subordinates be not sufficient. I oppose this resolution for a Test Audit by a British officer.

Mr. M. KRISHNA MENON (*Vyttila*).

Sir, I too rise to oppose the motion. It is not by bringing an outsider as auditor that defalcations could be avoided. But it is by introducing an efficient system of audit. Many of the defalcations that have been exposed lately are mainly due to want of audit in those departments; especially, the Excise Department is the one which was never audited. In the very same way, in many other departments, there is absolutely no audit except verification of monthly statements and the *plus* and *minus* statements, which are only paper transactions between the Comptroller and the Heads of Departments. Instead of this, if the Auditor has gone to the offices once at least every year and audited the accounts, in my opinion, many of the defalcations could have been avoided; and there are any number of competent men in our Financial Department who can do the audit work very satisfactorily. There is absolutely no necessity to bring somebody from outside. The very fact, which was referred to some days back, that, on the other side, on the Government bench, we find almost everybody a son of the soil, I must say, is a sufficient guarantee that there are persons in our own State, of position and standing, and they are far better than men who come by the 3 o'clock train. There is absolutely no necessity for bringing any outsider into the State to audit all our accounts. On the other hand, if the Audit Department is ordered to conduct a regular audit either once in a year or twice, if hands are available, I think, these defalcations could be avoided.

മിസ്റ്റർ കെ. പി. കറുപ്പൻ (വൈപ്പിൻ).

സർ, നമ്മുടെ ഈ രാജ്യത്തിൽ പലവിധ അഴിമതികളും നടക്കുന്നുണ്ട്. അതുകൊണ്ട് അങ്ങനെയുള്ള കണക്കു പരിശോധിക്കുന്നതിനു പുറത്തുനിന്നും ഒരാളെ —

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Mr. A. B. SALEM (*Jews*).

Sir, I rise to ask whether Mr. Karuppan sits here as a Government nominated member, and is bound to vote along with the Government under its direction, or whether he is an independent member, sitting here for the depressed classes.

President.—An independent member.

മിസ്റ്റർ കെ. പി. കറുപ്പൻ (ചാലക്കുടി)

അതുകൊണ്ട് വിദേശികളെ ഈ സംസ്ഥാനത്തിൽ വരുത്തി പ്രതിഷ്ഠിക്കുന്ന വിഷയത്തിൽ ഞാനും വിചാരിതാഭിപ്രായക്കാരൻ ആകുന്നു. എന്നാൽ ഇക്കാര്യത്തിൽ വിദേശികളെ വരുത്തുന്ന പ്രമേയത്തോട് ഞാൻ യോജിക്കുന്നു.

മിസ്റ്റർ. എഫ്രേം അബ്രഹാം (അഡൂർ).

സർ,

ഈ പ്രമേയത്തെ ഞാൻ ശക്തിയായി എതിർക്കുന്നു. കാരണം ഇതിനുമുമ്പ് ഒരു മെമ്പർ പ്രസ്താവിച്ചതുപോലെ ഇതു് നമ്മുടെ രാജ്യത്തിനു് അഭിമാനക്ഷയവും ആക്ഷേപകരവും ആകുന്നു. വിദേശത്തുനിന്നും ഒരാളെ കൊണ്ടുവന്നു് കണക്കുപരിശോധിക്കേണ്ടതായ ആവശ്യം ഉണ്ടെന്നു് പറയുന്നതുതന്നെ ഈ കൌൺസിലിൽ ഇരിക്കുന്ന നമുക്കു് ഗുണത്തെക്കാളധികം അഭിമാനദോഷം നേരിടുന്നതാണു്. ഇതിനുമുമ്പു് പലരും അഭിപ്രായപ്പെട്ടതുപോലെ ശരിയായി കണക്കുപരിശോധിക്കുന്നതിനു് ധാരാളം പ്രാപ്തി ഉണ്ടെന്നു് തോന്നുന്നതായ ഒരു ഉദ്യോഗസ്ഥൻ ഇവിടെതന്നെ ഉള്ളതുകൊണ്ടു് അന്യസംസ്ഥാനത്തുനിന്നും ഒരാളെ ഇവിടെ കൊണ്ടുവന്നു് കണക്കുപരിശോധിക്കേണ്ട ആവശ്യം ഇല്ല. ഇതിൽ കൂടുതലായി എനിക്കു് ഇതിനെപ്പറ്റി ഒന്നും പറയാൻ ആവശ്യം ഇല്ലാത്തതുകൊണ്ടു് ഈ പ്രമേയത്തെ ഞാൻ ശക്തിയായി എതിർക്കുന്നു.

Mr. C. A. OUSEPH (*Chalakkudi*).

Sir, I oppose this reslution. Not that I am against audits. Not that I don't desire defalcations to be prevented in this land; but our officers are capable enough to conduct any number of audits in the most efficient manner. We have in our Audit Department not only officers trained in Madras, but we have at present as the Head of the Department a gentleman who had his training in England and Ireland. We are yet to see the effect of the audit that is being conducted under his guidance. Under such circumstances, I do not think that we shall be justified in asking the Government to arrange for a Test Audit

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Defalcations there were. But defalcations do not show the defect in the audit. On the other hand, that defalcations were brought to light shows the competency of Auditors. Defalcations show two things, namely:—

1. that the men in the service were not paid sufficiently well; and

2. that the men at present in the service are not the right type of men.

Mr. N. PADMANABHA MENON (*Cranganur*).

Sir, I rise to support the motion The reasons that under-lie the motion have been explained by the Hon'ble mover himself. I shall confine myself to the present necessity of such a motion.

I believe, the House will agree with me when I say that a system is judged by its results. The system that was in vogue has been demonstrated to be a failure by the defalcations that took place recently. One thing is sure. These defalcations could not have taken place in a day or two. There must have been a systematic practice by those who were responsible for it. Under the rules, perfect as they are, the officers conerned were not able to detect these. This is conclusive proof that the present system is incorrect and that the system, as it is worked now, is found to be a failure. I ask whether any member of this House will be prepared to say, if the system, as is got printed and kept in the Statute, has been administered properly by the authorities concerned. I admit, Sir, to some extent that, besides providing for future contingencies, the resolution has the effect of a censure upon the present system.

If those who are responsible for the administering of the system were not able, or do not care, to find out these defalcations, the Government ought to have conducted an audit and submitted a report. Did the Government care to publish a statement regarding it in the Government Gazette? I believe, the money defalcated came from the hard-worked man. I am sure, the Government will not take an adverse attitude in this matter. Unless there is anything to hide, the Government would support this motion. The

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question decidedly is for an independent audit. With these remarks, I support the resolution.

Mr. E. IKKANDA WARIAR (*Urakam*).

Sir, I rise to support the motion brought forward by Mr. C. Achyuta Menon. By doing so, let me not be understood to be a lover of foreigners. I am one of those, who always advocate the cause of, what I may say, *Swaraj*. I do not like the advent of foreigners into our midst. But there is no reason why we should not bring them, when it is justified by necessity. Some members say that we have our own men here—Cochinites, and very able men too. I do not dispute all those facts. But we find that, in spite of these gentlemen, who are great and able men, huge defalcations have occurred. Who would find out the defalcations, if there are any more to be found out, and how to prevent recurrence of them in future are matters which this House is called upon to consider by this resolution.

President.—There are sufficient persons here to audit our accounts. If there are Auditors, it is their duty to audit.

Mr. C. A. KUNJUNNI RAJA (*Landlords*).

Is there no provision for it?

Mr. E. IKKANDA WARIAR (*Urakam*).

Sir, what does this resolution ask for? It simply asks for a Test Audit of the accounts of the State to see whether we are perfect. The resolution does not ask for anything else. We think we are all great men and able to look after ourselves and our business. But who is to judge it? That we ourselves were making some mistakes here and there, and that it is not in one department only are sufficiently borne out by the recent defalcations. Practically, in all departments, there are defalcations, which are not brought to the notice of the public. It is only when there are very big cases of defalcations, and very big amounts have been taken away from the department that they see the light of day. In the case of small amounts, the Heads of Departments will not make it public. What they, generally, do is to see that the money is secured. I know that there are many cases in which the superior officer,

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when a defalcation takes place, and when it is possible to put the money back, will take the money and hush up the whole thing. The public will not know of it. It is only in cases when it could not be hidden that it comes to light. All these show that there is something rotten in this State.

I have nothing to say against the ability and integrity of the present Comptroller of Accounts. As for the others, they all may be well-accomplished persons, well-trained men, possessing excellent certificates. But the recent defalcations were in the time of these men. Therefore, the best thing is to ask a third man to audit the accounts. Not that I am a lover of Test Audits for all years. We are not going to have an establishment permanently. What we ask is to see whether our system of accounts is perfect. It may be, we are perfect. Even then I assert that the money we are going to spend upon this, compared with the money that we have lost, and that we may thereafter lose, is nothing. We are not going to ask them to remain here permanently. Let them say we are perfect. Let them decide that we are perfect, and we shall be perfectly satisfied. It is in this spirit that I ask this House to consider this resolution. I, therefore, urge this House to think deeply over this resolution and support it.

Mr. M. K. RAMAN (*Ezhuva South*).

Sir, I rise to oppose the Hon'ble Mr. C. Achyuta Menon's proposition. I am one of those accustomed to think that honour is a greater thing than money. (*Hear, Hear.*) It may be that we might have lost a large amount of money. It is true, I admit, we hear recently of a large number of defalcations. But to bring an outsider for the purpose of auditing your accounts tends to show that there is nobody here competent to do this. It is a disgraceful thing.

President.—"Disgraceful" is an unparliamentary expression.

Mr. M. K. RAMAN (*Ezhuva South*).

I withdraw that, Sir. I should then say "discreditable". I consider that it would be a detrimental policy, if you were to bring an outsider. I have belief in our officers; I have also great confidence

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in them. Here we can get men quite capable of setting right the whole matter. I strongly oppose the motion. But, at the same time, I must say that audit is necessary, but one of our own men should be deputed to do that.

Mr. K. KRISHNA PISHARODI (*Comptroller of Accounts and Finance Member*).

Sir, I beg to oppose the resolution.

The resolution asks for a Test Audit of the accounts of the State by a thoroughly competent officer from the British Service, as was done in 1079 and 1083.

We have to consider first the circumstances under which the Test Audits were conducted in 1079 and 1083. They were conducted when the Audit branch was a part of the Secretariat, and when there was no separate Account Department, controlled by men trained in accounts for any expert check or scrutiny of expenditure. Hence such audits were necessary then.

Since then, the Account Department was constituted into a separate department, and we have now a set of trained officers to examine the accounts of the various offices. Our account rules were also revised by the Test Audit Officer and brought up to date. Even after the constitution of a separate Account Department and the revision of the Codes by the above said officer, there was a Test Audit conducted in 1086 with a view to ascertain whether the new system of accounts and rules of financial control, then introduced, was working satisfactorily.

The objects of the Test Audit as laid down in the Account Code are to see:-(1) whether the provisions of the Code are properly understood and applied, (2) whether they require any amendment, and if so, in what direction, (3) whether the officers of the State have given their attention to the substantial, rather than the formal, part of audit, and lastly, (4) whether any defalcation, loss of money, etc., have occurred, and if so, whether it was due to any error or neglect of rules or defect in the Code. In the last Test Audit, the officer in charge of it had not much to say in regard to the various points referred to in the Code. He had, no doubt, some suggestions by way of amplification of the then existing rules in the Code, owing mainly to the

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interpretations put to the corresponding portions in the British rules. Hs had also specially stated in his report that there were no defalcations as a result of the defect in the rules.

Defalcations have, unfortunately, occurred in some departments since, in the past few years; but I beg to point out, these do not appear to be the result of any defect in the rules. Anyhow, a Test Audit, by itself, is no remedy for such evils.

Moreover, the British rules, issued from time to time, on the various matters relating to Accounts, Finance and Audit procedure are ascertained and introduced here, according to requirements.

Again, as regards the utility of the Test Audit proposed, I cannot better describe it than by reproducing the following words of our late Diwan, now Sir A. R. Banerji :—

"It seems to me to be undesirable that a self-contained administrative machinery like the Cochin Government should have to rely on some outsider in regard to matters of finance. .. .. .. A Test Audit, every three years, by an outside officer can serve no useful purpose. He can only point out past irregularities and make suggestions for future procedure in a voluminous report, the outcome of which is a long Diwan's Proceedings, and the only practical result derived therefrom is a rectification of a few errors of procedure."

Lastly, a Test Audit by "a thoroughly competent officer" is very expensive. Even for an advice the services of an experienced officer, preferably a F. C. S., will have to be obtained for the purpose, with a staff to assist, and I need hardly say that the cost of this will be very prohibitive, especially in the present financial condition of the State. It has, therefore, to be considered, if we can afford to incur such a large expenditure for a purpose of dubitable utility.

For these reasons, I hope that the House will agree with me in thinking that the practical outcome of a Test Audit is not worth the trouble and the prohibitive cost involved in it, and that there is no immediate necessity for it, at least for the present.

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Mr. N. PADMANABHA MENON (*Cranganur*).

Sir, a word of explanation. In view of the nature of the discussion we had here, we have not yet been informed of the attitude of the Government in regard to an independent audit by State officials, and not a Test Audit by an outsider.

President.—I think, the Finance Member in his reply to the resolution has already explained the attitude of the Government.

Mr. S. F. NUNEZ (*Anglo-Indians*).

Sir, May I ask, whether there was an amendment of the motion? We have been discussing, not only the motion itself, but also the amendment of the motion.

President.—There is no amendment before the House.

Mr. S. F. NUNEZ (*Anglo-Indians*).

Because I heard some members proving the necessity of audit, and at the same time, objecting to the bringing of an outsider for auditing, two kinds of proposals that could be avoided only if we come to the understanding as to whether they are only for that part of the motion which is discussed by the Hon'ble Member or not.

President.—The Hon'ble Member could have understood them when they said "I support the motion", or "I oppose the motion." Now, I call upon the mover to reply.

Mr. C. ACHYUTA MENON (*Mulakunnattukavu*).

Sir, I am not going to reply.

The President then read the resolution and put it to vote.

The resolution was lost by a majority.

The President then adjourned the meeting for the next day, as it was past 5 p. m.

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